

STATE ALLOCATION BOARD (SAB)  
IMPLEMENTATION COMMITTEE MEETING  
October 3, 2008

FINANCIAL HARDSHIP PROGRAM ISSUES

PURPOSE OF REPORT

To provide supporting documentation for the issues noted with the Financial Hardship (FH) program since 2005.

BACKGROUND

At the September 19, 2008 Implementation Committee meeting, OPSC staff were questioned and discussions were raised as to the "lack of identified issues" with the FH program and thus the lack of need for regulatory revisions to the FH program.

AUTHORITY

Education Code Section 17075.15 and the School Facility Program (SFP) Regulation Section 1859.81 outline the requirements of the FH program; Education Code Section 17070.63(c) and SFP Regulation Section 1859.103 outline savings, and Education Code Section 17076.10(a) and SFP Regulation Section 1859.104 outline the SFP reporting requirements.

STAFF COMMENTS

The following attachments will be discussed at the October 3, 2008 Implementation Committee meeting related to issues identified with the FH program since 2005 and the need for regulatory revisions to the program:

1. 2005 Implementation Committee items (Attachment A)
2. 2005 SAB items (Attachment B)
3. Excerpts from SAB items (Attachment C)
4. Macias Consulting Group – FH Performance Audit (Attachment D)
5. Financial Hardship Checklist (Attachment E)

STATE ALLOCATION BOARD  
IMPLEMENTATION COMMITTEE  
JULY 8, 2005

Financial Hardship Equity Issues

PURPOSE

To discuss the Financial Hardship Equity Issues.

BACKGROUND

A report on Financial Hardship Equity Issues was presented to and accepted by the State Allocation Board (SAB) at the May 3, 2005 meeting. The report discussed several situations of inequity and possible remedies. The SAB requested that the report be taken to the Implementation Committee for further discussion. The SAB also requested that the Implementation Committee discuss possible negative impacts to school districts currently in the financial hardship program.

DISCUSSION

At the June 3, 2005 Implementation Committee, the Office of Public School Construction (OPSC) solicited comments and feedback in relation to the Financial Hardship Equity Issues report and the possible negative impacts to school districts currently in the financial hardship program. Introductory comments from the Committee and audience, at that meeting, were primarily focused on the perceived inadequacy of the School Facility Program (SFP) grants and their inability to build complete schools. It was asserted that this may create problems for financial hardship districts that do not have other funds available to supplement the SFP grants, and if they do over expend beyond the district's grant eligibility are penalized for doing so.

In association with the above grant adequacy issue, Staff presented a report to the SAB on May 25, 2005 regarding the SFP grant adequacy for financial hardship districts that had funds released and bid projects during a high bid climate time period. The report detailed the results of a survey of financial hardship districts and their ability to build complete schools with the SFP grants. Unfortunately, not all districts responded to the survey and Staff believed the results were inconclusive. The SAB asked OPSC to resubmit the survey to those financial hardship districts that did not respond to the initial survey and present the revised findings at a future SAB meeting. Staff is continuing its coordination with the California Coalition for Adequate School Housing to obtain additional data on this issue from the impacted school districts.

Staff has developed proposed solutions to address some of the concerns discussed for observations 1-3;

1. **Observation:** Under current regulations, after the initial request for financial hardship status is granted, no further encumbrances of existing capital facility funds are approved by the OPSC, and all prospective capital facility revenue is deemed available on the subsequent financial hardship review. The regulations provide for an exception to this requirement if the district does not file a financial hardship request for a period of three years from the date of the district's latest financial hardship adjusted grant apportionment.

Under this three-year provision, some districts receive SFP financial hardship approval for up to 100 percent State funding of their projects, and then later issue Certificates of Participation (COP) or other funding mechanisms that are not recognized as district contribution towards their previously funded SFP projects. If districts wait to file subsequent SFP funding applications until after the three years lapse from the date of their last adjusted grant funding apportionment, the COP or other district funds are exempt from contribution to the previous or future SFP projects.

**Additional Observations:** In association with the above observation, there was considerable discussion at the June 3, 2005 Implementation Committee meeting regarding the inadequacy of the grants for financial hardship districts. Many asserted that the grant inadequacy was the catalyst for the after the fact COP borrowing. In essence, the post COP borrowing was necessary to complete the project but subjected the

school district to potential over-expenditure penalties when future audits of the project occur. In addition, there was discussion relating to the cumbersome financial hardship paperwork requirements and review process that ultimately leads to a six month financial hardship approval period. Several audience members maintained that the six month financial hardship approval is too short and should be increased.

**Potential Solutions:** Based on comments from Implementation Committee and audience at the June 3, 2005 Implementation Committee meeting, staff offers the following suggestion for addressing this issue:

- A. Require districts to be subject to all governing financial hardship rules until a 100 percent complete final expenditure report is submitted on their last funded SFP/Financial hardship project. Note: A financial hardship review at time of project closeout might necessitate an adjustment to the financial hardship grant and an increase in the district contribution to a maximum of 50 percent of project costs.
  - B. Provide that on a case by case basis financial hardship districts be allowed to supplement SFP grants through local funding mechanisms, to enable the construction of a complete school containing minimum essential facilities as specified by CDE. Provided the local funding mechanism is used only to generate the amount needed to complete the school facility project in accordance with the original scope of the project. Any local funding mechanism which exceeds that amount would be deemed available for district match.
  - C. In response to comments that the financial hardship approval period is too short (6 months), staff proposes increasing the financial hardship renewal period from 6 months to one year. To accommodate this new approval period, a review of a financial hardship district or COE's finances will be performed by OPSC on an annual basis or when new projects, or subsequent phases of previously approved projects, are submitted by the district for financial hardship funding.
2. **Observation:** Existing law permits school districts to garner SFP new construction eligibility based on augmentations to their enrollment projections. The anticipated pupils that will reside in dwelling units indicated on approved tentative subdivision maps are used for this augmentation. This ability allows schools districts to plan ahead and build schools before or in time of the students' arrival. Because the districts can file for eligibility before the housing units are built, their SFP funding application and financial hardship review precedes the collection of developer fees which occurs later as the construction permits are issued. This results in the OPSC not being able to recognize the developer fees that could be used for the districts' matching share of their SFP projects.

**Potential Solutions:** Based on comments from Implementation Committee and audience at the June 3, 2005 Implementation Committee meeting, staff offers the following suggestion for addressing this issue;

- A. Require financial hardship districts to remain under the financial hardship requirements until a 100 percent complete final expenditure report is submitted on their last SFP/Financial hardship project. To accommodate this new requirement, a review of a financial hardship district's finances will be performed by OPSC at time of project closeout. Note: A financial hardship review at time of project closeout might necessitate an adjustment to the financial hardship grant and an increase in the district contribution to a maximum of 50 percent of project costs.
3. **Observation:** One of the ways to qualify for financial hardship is to have a current school facility related indebtedness of at least 60 percent of a districts' total bonding capacity. It has become an apparent pattern that some districts are securing a COP or other debt instrument in order to just meet the 60 percent threshold

(Continued on Page Three)

and then encumber those funds before submitting a financial hardship request. It would appear that this is occurring so those districts can qualify for financial hardship under the SFP.

**Potential Solutions:** Based on comments from Implementation Committee and audience at June 3, 2005 Implementation Committee meeting, staff offers the following alternatives for potentially addressing this issue:

- A. Although there appeared to be little support at the meeting for raising the indebtedness threshold, Staff believes the threshold should be increased to 70 percent based on the previously suggested solutions and the low percentage of districts with indebtedness beyond 60 percent. Any COP's or other debt instruments utilized to meet the new 70 percent threshold would need to be available as district contribution for the SFP project and should not be encumbered for other purposes.

-or-

- B. Leave the current 60 percent indebtedness threshold in place, but require any COP's or other debt instruments utilized to meet the 60 percent threshold to be available as district contribution on the financial hardship projects.

Observations four and five will be presented and further discussed at the July Implementation Committee meeting.

- 4. **Observation:** At times when SFP funding is unavailable, districts are permitted to obtain temporary or so-called "bridge", financing to proceed with their building or modernization projects until State funds became available. The intent was to "bridge" the period of time without State funding and to retire the debt instrument once the districts receive reimbursement from the State. However, some districts are choosing to accept the reimbursement from the State but utilize the funds for other capital facilities purposes rather than retire the debt instrument used to fund the SFP project. The districts maintain the debt, so they continue to meet the 60 percent indebtedness and subsequently request financial hardship status for their other SFP projects without having to use the unpaid portion as district contribution.

**Potential Measure:** For purposes of determining eligibility for financial hardship funding, recognize the reimbursed amount as being applied to the debt and determine the corresponding revised percentage of indebtedness.

- 5. **Observation:** Districts control the timing for their initial financial hardship submittal in order to encumber available funds prior to their review. As a result, the OPSC cannot recognize these funds as available for contribution towards their SFP financial hardship projects. This permits the districts to utilize available funds for other district priorities and then receive up to 100 percent State funding for their SFP project.

**Potential Measure:** Do not recognize any capital project related encumbrances within one year of the initial financial hardship request. Require districts to produce contracts and/or invoices dated one year prior to the financial hardship review in order for funds to be considered encumbered.

The OPSC suggests further exploration into these areas to determine if process, regulatory and/or statutory modifications may be appropriate.

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, May 3, 2005

FINANCIAL HARDSHIP EQUITY ISSUES

PURPOSE OF REPORT

To present a report regarding the trends in financial hardship requests for the School Facility Program (SFP).

BACKGROUND

At the February 2005 State Allocation Board (SAB) meeting, Board members requested information regarding the timing of financial hardship approvals and the equity of the funding distribution. It was requested that the Office of Public School Construction (OPSC) provide information on the trends in financial hardship requests.

AUTHORITY

Education Code Section 17075.15 (see attachment) and the SFP Regulation Section 1859.81(c)(1-4) outlines the requirements for a project to receive financial hardship status. This regulation states that a district must demonstrate reasonable effort to fund its matching share by levying the maximum developer fee justified by law and must meet at least one of the following criteria by having:

- Current school facility related indebtedness of at least 60 percent of its total bonding capacity;
- Accomplished a successful registered voter bond election for at least the maximum amount allowed under Proposition 39 within the previous two years from the date of request for financial hardship status;
- An application from a County Superintendent of Schools;
- Total bonding capacity at the time of the request for financial hardship status is \$5 million or less; or
- Other evidence of reasonable effort as approved by the SAB.

DISCUSSION

The financial hardship regulations have been in existence since the inception of the SFP. Originally, the regulations were less specific and had minimal requirements. As the program progressed and more data became available, it was apparent that the regulations required modification to provide more evidence of local financial effort. Those regulatory amendments were approved in December 2001 and were later codified (see attachment). Although these amended regulations and statutes were implemented, it appears that school districts continue to find creative avenues to meet the financial hardship criteria, which may be causing funding advantages.

Over the course of several years of financial hardship reviews, Staff has become aware of several trends as described below. Staff has also identified potential measures to ensure an equitable distribution of financial hardship funds.

1. **Observation:** Under current regulations after the initial request for financial hardship status is granted, no further encumbrances of existing capital facility funds are approved by the OPSC, and all prospective capital facility revenue is deemed available on the subsequent financial hardship review. The regulations provide for an exception to this requirement if the district does not file a financial hardship request for a period of three years from the date of the district's latest financial hardship adjusted grant apportionment.

Under this three-year provision, some districts receive SFP financial hardship approval for up to 100 percent State funding of their projects, and then later issue Certificates of Participation (COP) and other funding mechanisms that are not recognized as district contribution towards their previously funded SFP projects. These districts appear to simply wait to file subsequent SFP funding applications until after the three years lapse from the date of their last adjusted grant funding apportionment. As a result, the COP or other district funds are exempt from contribution to the previous or future SFP projects.

(Continued on Page Two)

DISCUSSION (cont.)

**Potential Measure:** Extend the three-year time period currently specified in the SFP regulations to five or more years. This would not eliminate the concern but would minimize the districts' lack of financial contributions. Albeit districts can only manage so many construction projects in any given period of time, most districts could not wait several additional years to build and modernize their facilities. As a result, more funds would be recognized as available towards the districts' share of their projects, thus reducing the demand on State financial hardship funding.

2. **Observation:** Existing law permits school districts to garner SFP new construction eligibility based on augmentations to their enrollment projections. The anticipated pupils that will reside in dwelling units indicated on approved tentative subdivision maps are used for this augmentation. This ability allows schools districts to plan ahead and build schools before or in time of the students' arrival. Because the districts can file for eligibility before the housing units are built, their SFP funding application and financial hardship review precedes the collection of developer fees which occurs later as the construction permits are issued. This results in the OPSC not being able to recognize the developer fees that could be used for the districts' matching share of their SFP projects.

**Potential Measure:** Offset the State's financial hardship apportionment to account for the developer fees collected and any other capital facility income received for a specified period of time. Given the SFP eligibility and funding is provided well in advance of the construction of the residential housing, the match period would likewise need to continue for a commensurate period of time.

3. **Observation:** One of the ways to qualify for financial hardship is to have a current school facility related indebtedness of at least 60 percent of a districts' total bonding capacity. It has become an apparent pattern that some districts are securing a COP or other debt instrument in order to just meet the 60 percent threshold and then encumber those funds before submitting a financial hardship request. It would appear that this is occurring so those districts can qualify for financial hardship under the SFP.

**Potential Measure:** Increase the 60 percent bonding capacity to a higher percentage and do not permit districts to encumber recent indebtedness. Under previous State School Building Aid Fund programs, districts were required to have 90 to 95 percent bonded indebtedness in order to qualify for the State funding for the districts' matching share.

4. **Observation:** At times when SFP funding is unavailable, districts are permitted to obtain temporary or so-called "bridge", financing to proceed with their building or modernization projects until State funds became available. The intent was to "bridge" the period of time without State funding and to retire the debt instrument once the districts receive reimbursement from the State. However, some districts are choosing to accept the reimbursement from the State but utilize the funds for other capital facilities purposes rather than retire the debt instrument used to fund the SFP project. The districts maintain the debt, so they continue to meet the 60 percent indebtedness and subsequently request financial hardship status for their other SFP projects without having to use the unpaid portion as district contribution.

**Potential Measure:** For purposes of determining eligibility for financial hardship funding, recognize the reimbursed amount as being applied to the debt and determine the corresponding revised percentage of indebtedness.

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DISCUSSION (cont.)

5. **Observation:** Districts control the timing for their initial financial hardship submittal in order to encumber available funds prior to their review. As a result, the OPSC cannot recognize these funds as available for contribution towards their SFP financial hardship projects. This permits the districts to utilize available funds for other district priorities and then receive up to 100 percent State funding for their SFP project.

**Potential Measure:** Do not recognize any capital project related encumbrances within one year of the initial financial hardship request. Require districts to produce contracts and/or invoices dated one year prior to the financial hardship review in order for funds to be considered encumbered.

The OPSC suggests further exploration into these areas to determine if process, regulatory and/or statutory modifications may be appropriate.

RECOMMENDATION

Accept this report.

BOARD ACTION

This report was accepted by the State Allocation Board on May 3, 2005, with a request that the issues and potential solutions be discussed further by the SAB Implementation Committee. The discussion should also include the adequacy of financial hardship assistance for the construction of small schools.

ATTACHMENT

State Allocation Board Meeting, May 3, 2005

CALIFORNIA CODES  
EDUCATION CODE  
SECTION 17075.15

**17075.15. Source and amount of funding; regulations**

(a) From funds available from any bond act for the purpose of funding facilities for school districts with a financial hardship, the board may provide other construction, modernization, or relocation assistance as set forth in this chapter or Chapter 14 (commencing with Section 17085) to the extent that severe circumstances may require, and may adjust or defer the local financial participation, as pupil health and safety considerations require to the extent that bond act funds are provided for this purpose.

(b) The board shall adopt regulations for determining the amount of funding that may be provided to a district, and the eligibility and prioritization of funding, under this article.

(c) The regulations shall define the amount, and sources, of financing that the school district could reasonably provide for school facilities as follows:

(1) Unencumbered funds available in all facility accounts in the school district including, but not limited to, fees on development, redevelopment funds, sale proceeds from surplus property, funds generated by certificates of participation for facility purposes, bond funds, federal grants, and other funds available for school facilities, as the board may determine.

(2) The board may exclude from consideration all funds encumbered for a specific capital outlay purpose, a reasonable amount for interim housing, and other funds that the board may find are not reasonably available for the project.

(d) Further, the regulations shall also specify a method for determining required levels of local effort to obtain matching funds. The regulations shall include consideration of at least all of the following factors:

(1) Whether the school district has passed a bond measure within the two-year period immediately preceding the application for funding under this article, the proceeds of which are substantially available for use in the project to be funded under this chapter, but remains unable to provide the necessary matching share requirement.

(2) Whether the principal amount of the current outstanding bonded indebtedness issued for the purpose of constructing school facilities for the school district and secured by property within the school district or by revenues of, or available to, the school district, which shall include general obligation bonds, Mello-Roos bonds, school facility improvement district bonds, certificates of participation, and other debt instruments issued for the purpose of constructing school facilities for the school district and for which owners of property within the school district or the school district are paying debt service is at least 60 percent of the school district's total bonding capacity, as determined by the board.

(3) Whether the total bonding capacity, as defined in Section 15102 or 15106, as applicable, is five million dollars (\$5,000,000) or less, in which case, the school district shall be deemed eligible for financial hardship.

(4) Whether the application for funding under this article is from a county superintendent of schools.

(5) Whether the school district submits other evidence of substantial local effort acceptable to the board.

(6) The value of any unused local general obligation debt capacity, and developer fees added to the needs analysis to reflect the district's financial hardship, available for the purposes of school facilities financing.



## EXCERPTS FROM SAB ITEMS

### STAFF ANALYSIS – FINANCIAL HARDSHIP: DISTRICT A

The District qualifies for financial hardship with a bonded indebtedness greater than 60 percent. This facility related debt consists entirely of COP debt that has not been, with the exception of \$9.9 million, captured as District contribution. However, there have been amounts that have been deemed available for future SFP projects, as is detailed further in this item. The District has experienced sufficient growth to garner SFP eligibility to justify the need for 26 SFP projects (24 New Construction and 2 Modernization). All but three of these projects received 100 percent State funding in the amount of \$340,522,619. It was never the intent of the Financial Hardship Program to provide an ongoing source of funding for districts experiencing significant enrollment growth due to development within the district's boundaries. The State assistance was only intended to cover the initial funding necessary to meet the districts' immediate demand for increased capacity (facilities). Developer fees and other local revenues are required to be collected to provide the local matching share of the funding to cover the costs of constructing the additional school facilities needed to house the enrollment growth generated from the homes constructed and sold in the area.

It was the District's choice to issue COPs after the initial financial hardship approval to fund additional discretionary project costs. They did so knowing the revenue would be considered available as district contribution on subsequent financial hardship reviews. The District has not attempted a local General Obligation (GO) bond measure since entering the SFP Financial Hardship program, nor have they entered into any COPs for the district share of their SFP projects. In addition, the limited amount of developer fees collected over the last few years has been utilized solely by the District for interim housing costs, as this amount did not exceed the interim housing calculation permitted under the regulations.

#### *Certificates of Participation*

The OPSC does recognize that there have been a number of COPs issued by the District that were identified during the numerous Financial Hardship reviews. However, the District has not been overly forthright in disclosing their COPs. For example, the 2003 Series A COP was discovered by Staff during their review of the District's audited financial statements, wherein, as part of the District's financial hardship submittal, the COPs were contained in a separate "Note" in the Annual Financial Report for the District and not in the financial worksheets in which districts summarize their available funds. As another example, on March 27, 2007, the OPSC staff learned of an automated method for verifying COPs and went online to review data provided by the California Debt and Investment Advisory Commission on the State Treasurer's Office Web site. It was determined that the District had issued a 2006 Series A COP for \$31,335,000 on March 21, 2006, that had not been reported during the OPSC's most recent financial hardship review that began in April of 2006 and was not completed until October of 2006. When asked about the COP, the District indicated that they believed that the COP had been included in their documents, but due to an inadvertent oversight, it was not. The lack of disclosure of the COPs by the District may be cause for later consideration by the SAB to determine if a material inaccuracy occurred.

On April 5, 2007, Staff again visited the State Treasurer's Web site and learned that the District had issued two more COPs on March 19, 2007 for a total of \$84,425,000. It should be noted that the District was not required to report the two most recent COP issuances to the OPSC until its next financial hardship review that was due on April 11, 2007. However, the OPSC staff had recently asked about the 2006 COP and was clearly concerned about correctly identifying the total COP proceeds available as local contribution to future SFP projects. The District did not volunteer that they had issued two more COPs a few days prior in 2007. The District later contended that they did not believe that the magnitude of the COP proceeds available was relevant to the SAB in deciding this appeal.

## EXCERPTS FROM SAB ITEMS

### STAFF FINDINGS: DISTRICT B

Staff has completed the review of the District's FH application. As noted in last month's Board item, the District is eligible for FH status. In reviewing the District's certified information, pursuant to current statute and regulations, we find significantly more available funds than the District disclosed that should be applied to SFP projects.

Staff has identified \$52 million available to the District that was not originally disclosed in the initial FH application. Another \$17 million in unsold bonds are not currently available; when there are no longer restrictions to issuing these bonds, they will be considered available funds. Staff will continue to work with the District in tracking the activity of these bonds.

The \$52 million comes from SFP grant funds the District received for sixteen 50/50 State/District SFP projects. The District overstated encumbrances, without disclosing State funds, for these sixteen projects on their April 2007 FH application, reducing their available funds. Our review disclosed the following:

Ninety-five million dollars of the District's reported encumbrances were applied against SFP projects with a State share of \$52 million. These SFP projects were filed for funding with the OPSC from November 2005 through March 2007.

- 1) For all sixteen projects, the District initiated a process to obtain funds prior to the April 2007 initial FH application. For thirteen out of sixteen projects, the District initiated a process with OPSC to obtain \$45 million in funds as early as October 2006. For one project, the District initiated the funding process for \$3.1 million in November 2005. For two projects, the District initiated a process for \$2.4 million in March 2007.
- 2) For eleven of these sixteen projects, the SAB approved funding prior to their April 2007 initial FH application. Four projects for \$4.85 million (State's share) were approved at the March 2007 SAB meeting, six projects for \$7 million were approved at the February 2007 SAB meeting, and one project for \$3.1 million was approved at the March 2006 SAB meeting.
- 3) For eleven out of sixteen projects, full grant funds were released to the District in April 2007, prior to the April 2007 initial FH submittal date. Fifteen million dollars in grant funds were released to the District for these eleven projects prior to initial FH submittal. For the five remaining projects, full grant funds for nearly \$36 million were released between June and August 2007, while the initial FH application was still being reviewed by OPSC. Additional supplemental grant funds of \$1.2 million were released for eleven projects in July 2007, again while the initial FH application was still being reviewed by OPSC. The District thus failed to inform OPSC of the \$52 million in funds released to them and available to offset reported encumbrances while their FH application was being reviewed.

The District's initial FH application disclosed negative \$28 million in available funds. With \$52 million now disclosed as additional available funds, the District would have a net \$24 million available for school construction projects.

# Evaluation of the OPSC Financial Hardship Review Program

State Allocation Board  
September 26, 2007

PERFORMANCE-BASED  
MANAGEMENT



INFORMATION MANAGEMENT  
AND TECHNOLOGY



FINANCIAL MANAGEMENT



COMPLIANCE

## Evaluation Objectives

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- (1) Assess the adequacy of the existing financial hardship approval process;
- (2) Evaluate internal controls established for the financial hardship review process; and
- (3) Provide recommendations on areas that can be improved.

## Methodology

- Selected 15 financial hardship applications that were representative of the workload handled by the OPSC Financial Hardship Unit.
  - The 15 entities selected represented \$225.3 million, or 77 percent of about \$292 million in total eligible funding for FY 05-06.
- Analyzed financial information and audited financial reports submitted by the school districts.
- Examined whether or not the entities qualify for financial hardship as defined by statute.

# The current OPSC model appears to be more beneficial to larger school districts

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- Five of eight medium and large school districts that were included in our review were not required to contribute any available funds to school construction because, for the most part, current regulations generally preclude capturing the dollars that would otherwise be available.
- Four of six smaller districts that were included in our review were required to contribute from 13 to 70 percent of their available funds to school construction.

PERFORMANCE BASED  
MANAGEMENT



INFORMATION MANAGEMENT  
AND TECHNOLOGY



FINANCIAL MANAGEMENT



COMPLIANCE

## The current OPSC model appears to be more beneficial to larger school districts than smaller school districts

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- **Case study**
- A large school district had \$28.5 million available for construction projects.
- The Financial Hardship Program determined that they had zero available funding to contribute to the project.
- The school district did not have to contribute any local funds to its facility construction project(s).
- In contrast, a small school district had a total of \$233,000 available for construction projects, but the Program required the school district to contribute up to 70 percent of those funds to facility construction.





## Regulations restrict OPSC reviewers to examine available funds in Capital Outlay Fund accounts only.

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- **Case study**
- A larger school district transferred \$4 million from its General Fund to its Special Reserve fund (non-capital outlay). This money could not be considered by OPSC as available for facility construction because it was transferred to a fund account that OPSC could not include in its review. The school district previously performed a similar funds transfer in FY 03-04 for \$3 million, and again this money could not be considered by OPSC as a possible contribution to the project.
- The State provided full funding to the applicant for its facility construction project.





## The existing Financial Hardship Process needs simplification and streamlining

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- **Case study:**
- A large school district had previously been denied financial hardship status by OPSC on its last two applications because OPSC had determined that the applicant had sufficient funds available to meet the 50 percent contribution requirement.
- On its third attempt to receive financial hardship certification, the school district transferred all its capital outlay funds to its General Fund.
- Because OPSC staff could not review the funds in the General Fund, the school district was subsequently approved for financial hardship funding and the school district was not required to contribute any local funds to the construction projects within this application.

PERFORMANCE BASED  
MANAGEMENT



INFORMATION MANAGEMENT  
AND TECHNOLOGY



FINANCIAL MANAGEMENT



COMPLIANCE

## Recommendation

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**The OPSC Executive Officer should revise the current model to evaluate the overall fiscal health of the school district.**

PERFORMANCE BASED  
MANAGEMENT



INFORMATION MANAGEMENT  
AND TECHNOLOGY



FINANCIAL MANAGEMENT



COMPLIANCE

# Recommendations

1. Establish an advisory panel comprised of Legislative Analyst Office (LAO) and Department of Finance representatives to prepare the framework for the revised model. Once established, the advisory panel will need to address the following issues:
  - a. Propose revised Financial Hardship Program regulations to review the overall fiscal health of the applicant.
  - b. Establish key fiscal health ratios to be submitted by the applicant that show revenue availability, debt levels, liability levels, and operating margins. The financial ratios should be based on the most recent year-end audited financial statements and a current trial balance report.
  - c. Develop an index of State and applicant contribution levels based on the fiscal health assessment of the applicant.
  - d. Seek an independent firm or expert to determine whether vulnerabilities exist within the revised model.

PERFORMANCE BASED  
MANAGEMENT

INFORMATION MANAGEMENT  
AND TECHNOLOGY

FINANCIAL MANAGEMENT

COMPLIANCE

## Recommendations

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- e. Approve OPSC revamped Financial Hardship Program instructions that provide guidance to the applicants on the financial hardship certification program and funding allocation process.
- f. Establish performance requirements for the review of financial hardship certification applications upon submission of complete applications. (e.g., 30 or 60 days).
- g. Determine whether applicants should submit financial hardship certifications for each project effectively eliminating the six-month effective period of the certification.



## Recommendations

2. Establish a formal training program for prospective applicants to be administered once a year. This training program should include information pertaining to the application receipt, processing and decision-making criteria used by OPSC reviewers.
3. Develop policies and procedures that trigger OPSC mid-level and/or executive management resolution of issues raised by an applicant or by the OPSC reviewer's analysis of the financial hardship application. These triggers could include the identification of excessive fund transfers to the applicant's general fund, restrictions found on certificates of participation, a school district's utilization of legal services, and issues that require interpretation or application of regulations.
4. Revamp the Financial Hardship Certification Application to reflect the revised review model, including updating instructions for each financial hardship worksheet required.

## Recommendations

5. Add a component to the Financial Hardship Review Process to require OPSC reviewers to visit school districts when circumstances are warranted. These circumstances can include unclear financial information, discrepancies found in the financial data, or the absence of supporting documentation on the financial hardship application.
6. Restrict access to information systems so that upon completion of the review of an application, the record cannot be overwritten with information from another application.
7. Implement information system-edit checks to require OPSC reviewers to enter required database information.





## Recommendations

8. Add system tables to perform and validate contribution calculations for the application and final expenditure report submitted by the school district at the completion of the construction project.
9. Require mid-level managers to provide bi-monthly performance monitoring on key performance metrics, such as the timeliness of the review process, adherence to internal controls and review outcomes of the financial hardship review process (e.g., percent of withdrawals, denials, and approval rates).
10. Establish an advisory panel comprised of LAO, Department of Finance representatives, OPSC mid-and executive-level management, and an independent auditor that meets monthly to validate the results of the financial hardship certification review and provide approval of eligibility and funding contributions.

**Financial Hardship Checklist - Phase I**

(August 2008)

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☐ New ☐ Renewal

SCHOOL DISTRICT/COUNTY OFFICE OF EDUCATION
COUNTY
DATE OF FINANCIAL HARDSHIP REQUEST

*Financial Hardship submittal package. All incomplete Financial Hardship packages will be returned. This Financial Hardship checklist and funding certification must be submitted in its original form and without any modifications or the district's Financial Hardship package will be marked incomplete and returned to the district.*

**I. QUALIFYING CRITERIA: County Offices of Education [Per Education Code Section 17075.15(d)(3) and Regulation Section 1859.81(c)(3)]**

1. Is this a County Office of Education (COE)? ☐ Yes ☐ No

If yes, please submit the following:

- Cover letter by COE requesting Financial Hardship Approval.? ☐ Yes ☐ No
- Listing of school projects and phases that the COE is requesting Financial Hardship for. ☐ Yes ☐ No

Enclosed:

*COEs may proceed to Section B4 and sign to complete*

**II. QUALIFYING CRITERIA: School Districts [Per Education Code Section 17075.15(d)(1, 2 & 4) and Regulation Section 1859.81(c)(1, 2 & 4)]**

District must meet Section A and at least one of the items listed in Section B below in order to qualify for Financial Hardship.

**Section A**

1. Is the district levying developer fees at the maximum rate justified under law? ☐ Yes ☐ No

As of the January 2008 SAB meeting, Level 1 rates were set by the SAB at \$2.97 per square foot for residential permits and \$0.47 per square foot for commercial/industrial permits.

2. Is the district renewing their Financial Hardship for a new construction project? ☐ Yes ☐ No

If yes, it must also show evidence of the appropriate level of developer fees assessed (i.e. Level I, Level II, or alternate fee determined by current needs analysis study). The district must have a current (dated within one year of the Financial Hardship request) Needs Analysis Study to justify its fees.

Has a copy of the Needs Analysis Study and the school board resolution implementing the fees been submitted? ☐ Yes ☐ No

If the district cannot levy developer fees, has documentation been submitted supporting this assertion that can be verified by OPSC? ☐ Yes ☐ No

*If no, district does not meet current financial hardship criteria*

3. Is a copy of the school board resolution implementing the current fees attached? ☐ Yes ☐ No

4. If the district is sharing developer fees with other school district(s): has a copy of the agreement been submitted with the financial hardship package? ☐ Yes ☐ No

What percentage of fees does the district receive from the sharing agreement and what is the rate? \_\_\_\_\_

*If the district is levying the maximum developer fees as indicated in A1 or A2, go to Section B1.*

5. If the district is not levying the maximum developer fees, does the district have a current (dated within 2 years of the financial hardship request) developer fee justification study showing a lesser amount to be collected? Is the justification study included in the financial hardship submittal? ☐ Yes ☐ No

What is the lower rate that is being assessed? \_\_\_\_\_

*If the district is either levying the maximum developer fee authorized or justifies a lower fee, go to Section B1.*

*If no, district does not meet current financial hardship criteria*



**Financial Hardship Checklist - Phase I**

(August 2008)

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**Section B**

1. Is the district's current outstanding bonded or school facility related indebtedness at least 60% of the total bonding capacity of the district?

☐ Yes ☐ No

What is the district's percentage of indebtedness?

If qualifying under this criteria, please submit the following:

- A letter from County Audit-Controller certifying the district's current year assessed valuation.
- A copy of the appropriate Bond booklets, COP booklets, or other documentation that verifies the district's level of bonded indebtedness.

**Enclosed:**☐ Yes ☐ No☐ Yes ☐ No

*If yes, proceed to Section B4 and sign to complete; if no, go to Section B2*

2. Did the district have a successful registered voter bond election for at least the maximum amount allowed under Prop 39 within the previous two years from the date of request for financial hardship status?

☐ Yes ☐ No

The proceeds from the bond election (that represent the maximum amount allowed under the provisions of Prop 39) must be used to fund SFP project(s).

If qualifying under this criteria, please submit the following:

- A copy of ballot issue/voter bond pamphlet.
- Certification from Registrar of Voters.
- Documentation supporting date of election, amount of bond; purpose of bond; percent of "Yes" vote on bond.

**Enclosed:**☐ Yes ☐ No☐ Yes ☐ No☐ Yes ☐ No

*If yes, proceed to Section B4 and sign to complete; if no, go to Section B3*

3. Is the district's total bonding capacity at the time of the request for Financial Hardship status \$5 million or less?

☐ Yes ☐ No

If qualifying under this criteria, please submit the following:

- A letter from County Audit-Controller certifying the district's current year assessed valuation.

**Enclosed:**☐ Yes ☐ No

*If yes, proceed to Section B4 and sign to complete; if no, district does not qualify for financial hardship*

4.	SIGNATURE OF DISTRICT REPRESENTATIVE		DATE
	PLEASE PRINT NAME:	CONTACT NUMBER:	EMAIL ADDRESS:

SCHOOL FACILITY PROGRAM  
**County Office of Education**  
**Financial Hardship Checklist - Phase II**  
(August 2008)

STATE ALLOCATION BOARD  
OFFICE OF PUBLIC SCHOOL CONSTRUCTION

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☐ New ☐ Renewal

COUNTY OFFICE OF EDUCATION
COUNTY
DATE OF FINANCIAL HARDSHIP REQUEST

Attention: In order to streamline the process of completing a Financial Hardship package, it is the County Office of Education's (COE) responsibility to clearly report all sources of funding and pertinent information as part of their Financial Hardship submittal package. All incomplete Financial Hardship packages will be returned. This Financial Hardship checklist must be submitted in its original form and without any modifications or the COE's Financial Hardship package will be marked incomplete and returned to the COE.

In addition, the OPSC strongly encourages COEs to provide supporting schedules and all necessary documents to accommodate shorter review periods.

**I. FUNDING SOURCES (Per Education Code Section 17075.15(c) & Regulation Section 1859.81(a))**

NOTE: All fund sources that could be used for capital facility purposes need to be included in the Financial Hardship package, regardless of what fund the proceeds are deposited into.

- A. Has the COE issued any Certificates of Participation (COP) in the last three years? ☐ Yes ☐ No

If yes:

- Please indicate the date(s) issued and the dollar amount(s): \_\_\_\_\_
- Please indicate what Fund the proceeds were deposited into: \_\_\_\_\_
- Please provide a trial balance and/or General Ledger detail evidencing the proceeds were deposited in that fund.
- Please provide a copy of the COP booklet(s) as part of the COE's Financial Hardship package.

Enclosed: ☐ Yes ☐ No ☐ Previously Submitted

*If no, the package will be returned.*

- B. Will any Certificates of Participation (COP) be issued within the next 12 months from the date of the Financial Hardship submittal? ☐ Yes ☐ No

If yes, please indicate the proposed date of issuance and the amount: \_\_\_\_\_

- C. Is the COE currently receiving Redevelopment Funds or have they received Redevelopment Funds within the last three years? ☐ Yes ☐ No

If yes,

- Please indicate the dollar amount(s):

Current Year	Prior Year	2nd Prior Year
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- Please indicate what Fund the proceeds were deposited into: \_\_\_\_\_
- Please provide a trial balance or General Ledger detail evidencing the proceeds were deposited in that fund.
- Please provide a copy of the redevelopment agreement(s) currently in effect as part of the Financial Hardship request package.

Enclosed: ☐ Yes ☐ No ☐ Previously Submitted

*If no, the package will be returned.*

- D. Has the COE received any proceeds from sale of surplus real property within the last three years? ☐ Yes ☐ No

If yes, please indicate the dollar amount(s): \_\_\_\_\_

In addition, please indicate what Fund the proceeds were deposited into: \_\_\_\_\_

- Please provide a trial balance or General Ledger detail evidencing the proceeds were deposited in that fund.
- COE may provide explanation of sale and use of proceeds.

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**County Office of Education**  
**Financial Hardship Checklist**  
(August 2008)

- E. Has the COE received any other source of funding within the last three years not previously listed that could be used for capital facility purposes? ☐ Yes ☐ No
- If yes:
- Please indicate the source of funding: \_\_\_\_\_
  - Please indicate the dollar amount(s): \_\_\_\_\_
  - Please indicate what Fund the proceeds were deposited into: \_\_\_\_\_
  - Please provide a trial balance or General Ledger detail evidencing the proceeds were deposited in that fund.
- F. What Inter-Fund transfers in or out of a fund which contains capital facility related proceeds has the COE made over the last two fiscal years?
- Please submit General Ledger detail which documents the transfers over the last two fiscal years. **Enclosed:** ☐ Yes ☐ No **Previously Submitted** ☐ Yes ☐ No ☐ Submitted
  - Please provide a schedule of all the Inter-Fund transfers in or out of a fund which contains capital facility related proceeds that lists:  
(1) the fund transferred from, (2) the fund transferred to, (3) describes the purpose of the transfer, and (4) the date of the transfer. **Enclosed:** ☐ Yes ☐ No

## II. EVIDENCE REQUIRED

- A. COE's Capital Outlay Plan or budget of needed facilities for the next 5 years. **Enclosed:** ☐ Yes ☐ No **Previously Submitted** ☐ Yes ☐ No ☐ Submitted
- If not available, please submit explanation why.
- B. "Financial Hardship Project Worksheet" for each project and each phase of a project the COE is requesting Financial Hardship assistance for. **Enclosed:** ☐ Yes ☐ No
- C. "Financial Hardship Fund Worksheet" submitted for each fund within the Capital Project Funds and/or each Fund that contains capital facility related proceeds. These summarized fund worksheets reflect the COE's financial condition pursuant to data from the latest Independent Audit Report, along with subsequent transactions in column 2 of the worksheets to arrive at the current available funds. A separate worksheet must be submitted for each fund that contains capital facility related proceeds. **Enclosed:** ☐ Yes ☐ No
- D. **Trial Balance** for each financial hardship fund worksheet the COE is submitting. The trial balance should reflect the balances through the date of the fund worksheets. **Enclosed:** ☐ Yes ☐ No
- E. **General Ledger (GL) Detail Report** for the information in Column 1 and Column 2 of each Financial Hardship Fund Worksheet submitted, except Fund 35. **Enclosed:** ☐ Yes ☐ No
- For example: The COE's Fund 25 worksheet has Column 1 information for the 2005/2006 Fiscal Year ending 6/30/06. The Column 2 information is dated as of 10/1/07, therefore it contains data from the 2006/2007 Fiscal Year ending 6/30/07 and 3 months of information (7/1/07 thru 10/1/07) from the 2007/2008 Fiscal Year. This would mean the COE would submit 3 General Ledger detail reports for Fund 25: (1) 7/1/05 thru 6/30/06, (2) 7/1/06 thru 6/30/07, and (3) 7/1/07 thru 10/1/07.*
- NOTE: If the General Ledger detail report does not clearly delineate what project the reported expenditures were completed on then it will be necessary to submit a support schedule which lists all the expenditures, the work done, the project, and ties back to the individual General Ledger detail report(s).
- F. General Ledger (GL) Summary Report for the information in Column 1 and Column 2 of the Fund 35 Financial Hardship Fund Worksheet submitted. **Enclosed:** ☐ Yes ☐ No
- G. Identify the purpose and provide necessary documentation for any restrictions on funds within any Special Reserve Fund. **Enclosed:** ☐ Yes ☐ No **Previously Submitted** ☐ Yes ☐ No ☐ Submitted

**SCHOOL FACILITY PROGRAM**  
**County Office of Education**  
**Financial Hardship Checklist - Phase II**  
*(August 2008)*

- H. Identify and list in a spreadsheet all SFP projects the COE has applied to OPSC for and not yet received an apportionment by the SAB.

Enclosed:  
☐ Yes ☐ No ☐ N/A

- I. Report all funds spent (to date) on SFP financial hardship project(s) requested on a detailed expenditure report. A separate expenditure report must be submitted for each Financial Hardship Project Worksheet.

Enclosed:  
☐ Yes ☐ No

If no funds have been spent on the project(s), submit a written statement to that effect.

- J. Documentation supporting any encumbrances the COE is claiming (i.e. contracts/payment schedules).

Enclosed: **Previously**  
☐ Yes ☐ No ☐ Submitted ☐ N/A

All material should be clearly cross referenced and identified to the contract and to the encumbrance(s).

- K. If the COE will be requesting an "Interim Housing" deduction against funds that would otherwise be considered available for future SFP Financial Hardship projects, they must submit the following:

This allowance is only when the COE is applying for new construction projects.

☐ Yes ☐ N/A

- (1) Current Enrollment Certification/Projection (Form SAB 50-01),
- (2) Existing School Building Capacity(Form SAB 50-02),
- (3) The COE's written estimation of the Interim Housing deduction needed for the coming year.

These documents are needed so OPSC can calculate the maximum "Interim Housing" deduction allowed.

- L. Complete copy of last Two Independent Audit Reports.

Enclosed: **Previously**  
☐ Yes ☐ No ☐ Submitted

- M. Is a current Unused Sites Certification already on file with OPSC?

☐ Yes ☐ No

If no, please provide listing of the COE's unused site(s) and intended purpose(s) or a statement that the COE has no unused site(s).

Enclosed: **Previously**  
☐ Yes ☐ No ☐ Submitted

SIGNATURE OF DISTRICT REPRESENTATIVE		DATE
PLEASE PRINT NAME:	CONTACT NUMBER:	EMAIL ADDRESS:

**SCHOOL FACILITY PROGRAM**  
**School District**  
**Financial Hardship Checklist - Phase II**  
(August 2008)

☐ New ☐ Renewal

SCHOOL DISTRICT
COUNTY
DATE OF FINANCIAL HARDSHIP REQUEST

**Attention:** In order to streamline the process of completing a Financial Hardship package, it is the district's responsibility to clearly report all sources of funding and pertinent information as part of their Financial Hardship submittal package. All incomplete Financial Hardship packages will be returned. This Financial Hardship checklist and funding certification must be submitted in its original form and without any modifications or the district's Financial Hardship package will be marked incomplete and returned to the district.

In addition, the OPSC strongly encourages district's to provide supporting schedules and all necessary documents to accommodate shorter review periods.

**I. FUNDING SOURCES (Per Education Code Section 17075.15(c) & Regulation Section 1859.81(a))**

NOTE: All fund sources that could be used for capital facility purposes need to be included in the Financial Hardship package, regardless of what fund the proceeds are deposited into.

- A. Has the district issued any Certificates of Participation (COP) in the last three years? ☐ Yes ☐ No

If yes:

- Please indicate the date(s) issued and the dollar amount(s): \_\_\_\_\_
- Please indicate what Fund the proceeds were deposited into: \_\_\_\_\_
- Please provide a trial balance and/or General Ledger detail evidencing the proceeds were deposited in that fund.
- Please provide a copy of the COP booklet(s) as part of the district's Financial Hardship package.

Enclosed: ☐ Yes ☐ No Previously Submitted ☐

*If no, the package will be returned.*

- B. Will any Certificates of Participation (COP) be issued within the next 12 months from the date of the Financial Hardship submittal?

☐ Yes ☐ No

If yes, please indicate the proposed date of issuance and the amount: \_\_\_\_\_

- C. Has the district passed any General Obligation Bonds ( 2/3, Proposition 39) or Mello Roos Bonds within the last three years?

☐ Yes ☐ No

If yes:

- Please indicate the date(s) passed and the dollar amount(s): \_\_\_\_\_

Current Year

Prior Year

2nd Prior Year

- Please indicate what Fund the proceeds were deposited into: \_\_\_\_\_
- Please provide a trial balance and/or General Ledger detail evidencing the proceeds were deposited in that fund.
- Please provide a copy of the bond book(s) and official copy of the ballot issue(s) as part of the Financial Hardship package.

Enclosed: ☐ Yes ☐ No Previously Submitted ☐

*If no, the package will be returned.*

- D. Does the district have any developer fee "In Lieu" agreement(s) in effect or pending that affects the amount of developer fees collected by the district?

☐ Yes ☐ No

If yes:

- Please provide a copy of the mitigation(s) agreements and school board minutes approving the agreement been submitted as part of the Financial Hardship request package.

Enclosed: ☐ Yes ☐ No

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- If the district received any benefit, building, land, etc., in lieu of Developer Fees, has documentation been submitted verifying the "in lieu" received and the value of developer fees that were negated due to the "in lieu" agreements?

☐ Yes ☐ No

This documentation should include the General Ledger detail to reflect the asset value and date posted.

*If no, the package will be returned.*

- E. Is the district currently receiving Redevelopment Funds or have they received Redevelopment Funds within the last three years?

☐ Yes ☐ No

If yes,

- Please indicate the dollar amount(s):
- Please indicate what Fund the proceeds were deposited into:
- Please provide a trial balance or General Ledger detail evidencing the proceeds were deposited in that fund.
- Please provide a copy of the redevelopment agreement(s) currently in effect as part of the Financial Hardship request package.

Enclosed: ☐ Yes ☐ No Previously ☐ Submitted

*If no, the package will be returned.*

- F. Has the district received any proceeds from sale of surplus real property within the last three years?

☐ Yes ☐ No

If yes, please indicate the dollar amount(s):

In addition, please indicate what Fund the proceeds were deposited into:

- Please provide a trial balance or General Ledger detail evidencing the proceeds were deposited in that fund.

- G. Has the district received any other source of funding within the last three years not previously listed that could be used for capital facility purposes?

☐ Yes ☐ No

If yes:

- Please indicate the source of funding:
- Please indicate the dollar amount(s):
- Please indicate what Fund the proceeds were deposited into:
- Please provide a trial balance or General Ledger detail evidencing the proceeds were deposited in that fund.

- H. What Inter-Fund transfers, in or out of a fund which contains capital facility related proceeds, has the district made over the last two fiscal years?

- Please submit General Ledger detail which documents the transfers over the last two fiscal years.

Enclosed: ☐ Yes ☐ No Previously ☐ Submitted

- Please provide a schedule of all the Inter-Fund transfers, in or out of a fund which contains capital facility related proceeds, that lists:  
(1) the fund transferred from, (2) the fund transferred to, (3) describes the purpose of the transfer, and (4) the date of the transfer.

Enclosed: ☐ Yes ☐ No

## II. EVIDENCE REQUIRED

- A. Summary of why the district is requesting financial hardship. This can be a short paragraph summarizing how the district meets the financial hardship criteria.
- B. District's Capital Outlay Plan for the next 5 years.
- If not available, please submit explanation why.
- C. "Financial Hardship Project Worksheet" for each project and each phase of a project the district is requesting Financial Hardship assistance for.

☐ Yes ☐ No

☐ Yes ☐ No Previously ☐ Submitted

☐ Yes ☐ No

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**School District**  
**Financial Hardship Checklist - Phase II**  
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- D. "Financial Hardship Fund Worksheet" submitted for each fund within the Capital Project Funds and/or each Fund that contains capital facility related proceeds. These summarized fund worksheets reflect the district's financial condition pursuant to data from the latest Independent Audit Report, along with subsequent transactions in column 2 of the worksheets to arrive at the current available funds. A separate worksheet must be submitted for each fund that contains capital facility related proceeds. ☐ Yes ☐ No
- E. Trial Balance for each financial hardship fund worksheet the district is submitting. The trial balance should reflect the balances through the date of the fund worksheets. ☐ Yes ☐ No
- F. General Ledger (GL) Detail Report for the information in Column 1 and Column 2 of each Financial Hardship Fund Worksheet submitted. ☐ Yes ☐ No

*For example: The district's Fund 25 worksheet has Column 1 information for the 2005/2006 Fiscal Year ending 6/30/06. The Column 2 information is dated as of 10/1/07, therefore it contains data from the 2006/2007 Fiscal Year ending 6/30/07 and 3 months of information (7/1/07 thru 10/1/07) from the 2007/2008 Fiscal Year. This would mean the district would submit 3 General Ledger detail reports for Fund 25: (1) 7/1/05 thru 6/30/06, (2) 7/1/06 thru 6/30/07, and (3) 7/1/07 thru 10/1/07.*

NOTE: If the General Ledger detail report does not clearly delineate what project the reported expenditures were completed on then it will be necessary to submit a support schedule which lists all the expenditures, the work done, the project, and ties back to the individual General Ledger detail report(s).

- G. General Ledger (GL) Summary report for the information in Column 1 and Column 2 of the Fund 35 Financial Hardship Fund Worksheet. Enclosed: ☐ Yes ☐ No
- H. Identify the purpose and provide necessary documentation for any restrictions on funds within any Special Reserve Fund. ☐ Yes ☐ No ☐ Previously Submitted
- I. Identify and list in a spreadsheet all SFP projects the District has applied to OPSC for and not yet received an apportionment by the SAB. Enclosed: ☐ Yes ☐ No ☐ N/A
- J. Report all funds spent (to date) on SFP financial hardship project(s) requested on a detailed expenditure report. A separate expenditure report must be submitted for each Financial Hardship Project Worksheet. If no funds have been spent on the project(s), submit a written statement to that effect. ☐ Yes ☐ No
- K. Documentation supporting any encumbrances the district is claiming (i.e. contracts/payment schedules). All material should be clearly cross referenced and identified to the contract and to the encumbrance(s). ☐ Yes ☐ No ☐ Previously Submitted ☐ N/A
- L. If the district will be requesting an "Interim Housing" deduction against funds that would otherwise be considered available for future SFP Financial Hardship projects, they must submit the following:  
This allowance is only when the district is applying for new construction projects. ☐ Yes ☐ N/A  
(1) Current Enrollment Certification/Projection (Form SAB 50-01),  
(2) Existing School Building Capacity (Form SAB 50-02),  
(3) The district's written estimation of the Interim Housing deduction needed for the coming year.

These documents are needed so OPSC can calculate the maximum "Interim Housing" deduction allowed.

NOTE: Small school districts have an option to not update their eligibility for a period of three years in case of declining enrollment. However, for financial hardship purposes, the Form SAB 50-01 must be completed based on the latest CBEDS information.

- M. Complete copy of last Two Independent Audit Reports. ☐ Yes ☐ No ☐ Previously Submitted
- N. Is current Unused Site Certification already on file with OPSC? ☐ Yes ☐ No  
If no, please provide listing of the district's unused site(s) and intended purpose(s) or a statement that the district has no unused site. ☐ Yes ☐ No ☐ Previously Submitted

SIGNATURE OF DISTRICT REPRESENTATIVE		DATE
PLEASE PRINT NAME:	CONTACT NUMBER:	EMAIL ADDRESS: